

[REDACTED]

[REDACTED]

[REDACTED]

DEC 3 1980

Gentlemen:

Your application for exemption from Federal income tax under the provisions of section 501(c)(6) of the Internal Revenue Code has been considered.

The information submitted discloses that you were incorporated [REDACTED], to unite those engaged in the recognized branches of the real estate profession in this community for the purpose of exerting a beneficial influence upon the profession and related interests, and to promote and maintain high standards of conduct in the real estate profession.

Statements furnished in support of the application show that your activities consist of weekly meetings, conduct of educational sessions, legislative monitoring, and the management of a multiple listing service.

Funds for the support of your activities are derived primarily from dues and assessment of your members. Of the \$[REDACTED] dues assessed to each member, \$[REDACTED] is transmitted to the national organization, \$[REDACTED] is transmitted to the state organization, \$[REDACTED] is retained as local dues, and \$[REDACTED] is assessed for the operation of the multiple listing service. Expenditures are for the support of your regular activities and providing your members with the multiple listing service.

Section 501(c) of the Code describes certain organizations exempt from Federal income tax under section 501(a) and reads, in part, as follows:

"(6) Business leagues, chambers of commerce, real estate boards, or boards of trade, *** not organized for profit and no part of the net earnings of which inures to the benefits of any private shareholder or individual."

Section 1.501(c)(6)-1 of the regulations provides as follows:

"A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. Not, an organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self sustaining, is not a business league. *** "

Revenue Ruling 59-234, 1959-2 Cumulative Bulletin 149, states that it is apparent that the multiple listing system operated by real estate boards is inherently designed for the rendering of particular services as a convenience and economy to their members in the conduct of their respective businesses. This ruling also holds that the operation of a multiple listing service is the conduct of a business ordinarily carried on for profit. The courts have ruled that where an organization is rendering particular services to individual persons to an extent that is substantial in relation to its total activities, exemption is precluded. See Southern Hardwood Traffic Association v. United States, 283 F. Supp. 1013 (W.D. Tenn 1968).

The operation of a multiple listing service constitutes a business ordinarily carried on for profit as well as the performance of particular services for individual persons. Since nearly █% of your local dues structure is attributable to such services, we conclude that such activities are substantial in relation to your total activities.

Accordingly, we hold that you do not qualify for exemption from Federal income tax under the provisions of section 501(c)(6) of the Internal Revenue Code and are required to file income tax returns on Form 1120.

[REDACTED]

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If we do not hear from you within 30 days, this letter will be our determination in the matter.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

Sincerely,

[REDACTED]
District Director

Enclosure:
Publication 892
Form 6018

cc: [REDACTED]